SUMMARY REPORT

on the

Market Development Conference

of

Agricultural Attaches

Bogota, Colombia

April 1-7, 1959

Introduction

An Agricultural Market Development Conference was held at Bogota, Colombia, April 1-7, 1959.

Participants included U.S. agricultural attaches in Latin America, members of Congress, representatives of U.S. trade associations, officials of the U.S. Department of Agriculture and of other U.S. government agencies. Raymond A. Ioanes, deputy administrator of the Foreign Agricultural Service, presided as chairman.

John Moors Cabot, U.S. Ambassador to Colombia, welcomed the group. He suggested that success in expanding foreign demand for U.S. agricultural commodities will be in direct proportion to efforts made to promote the economy of foreign countries.

The conference was opened on Wednesday, April 1, by Mr. Ioanes, who stated the conference objective of helping to develop markets abroad for U.S. agricultural commodities. Howard Gabbert of the State Department, spoke on U.S. economic and trade policy in Latin America. George Blowers, director of the Export-Import Bank, reported on the role of public and private financing in the economic growth of Latin America and the development of U.S. export trade.

In the afternoon, Gerald Tichenor, deputy assistant administrator for attaches, reviewed the responsibilities of the agricultural attaches regarding market development; and Gustave Burmeister, assistant administrator for agriculture trade policy and analysis, outlined economic conditions in Latin America and possibilities for agricultural market development.

On Thursday, George Parks, deputy assistant administrator for market development, described broad areas of market development activities and tools therefor. Then began reports by the attaches on their areas.

On Friday Forest Beall, deputy administrator of the Commodity Stabilization Service, described the CCC dollar sales, credit sales, and barter programs. Martin Garber, Agricultural Marketing Service, spoke about the food donation program and Henry Marston, Agricultural Research Service, explained the Department's overseas research program as financed with foreign currency.

Friday afternoon there was a round table discussion on attache experiences with market development techniques. Discussions were led by Samuel Work, attache at Santiago, Chile, on milk recombination and by Clarence Pike, attache at Lima, Peru, on demonstration techniques.

On Saturday morning, there was further discussion of market development techniques. Then Mr. Blowers and Eugene Oakes, also of the Export-Import Bank, explained private firm loans under Section 104(e) of Public Law 480. Members of Congress then gave some of their observations on the conference. Late in the morning, Assistant Secretary Clarence L. Miller reviewed the U.S. agricultural situation and the importance of foreign markets.

Saturday afternoon and Sunday there were individual conferences and field trips.

On Monday, the statement of Robert Smith, press officer at the U.S. Embassy at Bogota, on public relations for agriculture was presented. Trade representatives commented on the problems associated with farm market development abroad. James Howard, director of the Foreign Trade Promotion Division, then outlined procedures concerning market development projects under Section 104(a) of Public Law 480.

Monday afternoon W.A. Minor, assistant administrator for management, reviewed management policies and problems of FAS.

The following report is designed to summarize the conference proceedings. The material has been grouped around the central topics of market development objectives, market development tools and related activities, market development techniques, observations of Members of Congress, the U.S. agricultural situation, observations by trade representatives, management policies, and country reports. The discussion in most cases follows the summary of the various speakers' statements in order to convey the feeling of continuity and active participation by all present that characterized the conference. The appendix gives the chronological conference agenda, a list of participants, a resolution of welcome from the Colombian legislature, and remarks of appreciation by Senator Karl Mundt.

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I - MARKET DEVELOPMENT OBJECTIVES AND BACKGROUND

The conference was opened by Mr. Ioanes, who reviewed the responsibility of FAS in expanding foreign markets for U.S. farm products, emphasizing sales for dollars. Activities include: (1) a world-wide reporting system on production, trade, and consumption, on both a commodity and an area basis; (2) market analyses and competition studies in major export commodities; (3) representation of U.S. agriculture at tariff and trade negotiations; and (4) direct market development activities.

Mr. Ioanes pointed out the importance of the export job since we export the equivalent of the production of one-fifth to one-sixth of our cropland, including about one-third of our cotton, one-fourth of our tobacco and about one-fifth of all off-farm traded feed grains.

He also pointed out that the results of our surplus disposal efforts in Latin America compare favorably with those in the rest of the world and that the Latin American economy generally complements our own, producing crops such as coffee, bananas, cocoa, sugar, wool, as well as metals and petroleum. One-third of all U.S. imports and one-half of all U.S. agricultural imports come from Latin America. At the same time one-fourth of all U.S. exports and one-seventh of U.S. agricultural exports go to Latin America.

Unfortunately, (he indicated) Latin America has problems. The area's raw materials exports have dropped in price on world markets, while prices of her imports have risen. There is also an undercurrent of political ferment as more and more prople desire increasing political, economic and social benefits.

Mr. Ioanes noted that the job of agricultural market development, therefore, is a difficult and demanding one. The conference objectives are to discuss and analyze the market development job and describe and evaluate specific market development tools such as : (a) visits of buying teams; (b) use of marketing specialists and technicians; (c) advertising programs; (d) samples for promotion; (e) trade fairs; (f) nutrition demonstrations; (g) quality improvement; and, (h) U. S. trade visits.

Finally, he stated that we want a full and frank discussion of the strong and weak points of our market development activities so that we may more effectively carry out our responsibilities.

Mr. Tichenor summarized the need for U.S. agricultural representation overseas and reviewed the attaches' objectives in Latin America.

He covered the attache's responsibilities to American agriculture, or representation, reporting, and market development and maintenance. He summarized his talk by saying:

"Basically, the attache's job is to protect and further U.S. agricultural interests. Voluntary and required reports are basic in market development. You need the data to analyze the situation and determine the specifics of the problem. Put the facts on paper and you have gone a long way toward meeting your reporting schedule.

"The number of reports required from the entire Attache Service has increased from 1400 to 1620 in spite of everything we could do to hold them down so that you can do your voluntary reports. Last year our Attaches in Latin America submitted 302 required reports and 1420 voluntary reports, and their coverage was excellent, especially in the voluntary reports."

Discussion

The problem of visitors at the attache posts was raised. Mr. Ioanes stated that Washington tries to advise attaches of such visits but it is up to the attache to budget his own time. It was pointed out that there are groups in some countries that can be used to take care of visitors. Also visitors often come to see specialized farming which may be far from the capital city. It was suggested that Washington do a better job of advising these visitors, and that there ought to be a set of guide lines to take the problem off the attache.

Attaches are often asked for reports which would require extra travel to investigate conditions. Mr. Tichenor suggested that the attaches report the problem in a memorandum and inquire as to the urgency of the report. The question was also raised as to whether some of these reports could not be better made by a consulate. Mr. Ioanes suggested that each problem be brought to Washington's attention.

Mr. Tichenor remarked that reports on possible tariff increases are useful in market development work and asked the attaches how they try to counter such action. One answered that it depends on the individual country as to what might be done and suggested that help from FAS/Washington could be of considerable value. Mr. Tichenor commented that the attaches should keep Washington alerted and call for help since tariff increases are of vital concern in any market. He also suggested the attaches work very closely with the post's economic section.

Mr. Burmeister addressed the conference on "Economic Conditions in Latin America as related to Agriculture and Market Development."

He said that we need customers today. We must present in the best possible way the commodities we have to sell and, if our potential customers still fail to buy from us, we must try to find out why.

Latin America has a population of over 183 million people, the fastest growing population of any large area on earch, 2-1/2% a year. By 1975 the area will have 56 million more people than the United States, he stated.

It is an area rich in human and natural resources. It is in the area of economic development that the United States can, and is, playing an expanding role.

The Latin American countries are feeling a pretty serious cost-price squeeze. Prices of Latin American exports in 1957-58 were about 8% below what they were in 1953, while prices of world exports of manufactured goods were 8% above the 1953 level. The volume of Latin American exports increased during the same period by nearly one-fifth. Despite this, the gold and dollar holdings of the area decreased by $429 million during 1958 as a result of increased imports.

During 1958 U.S. exports to Latin America showed less decline from the 1957 peak than those to other regions of the world, while imports from the region declined about 5 percent from the 1957 level. This percentage decline in the value of our imports was due largely to decreases in coffee, wool, copper, and zinc. These declines were partly offset by increases of our imports of meats, meat animals, sugar, cacao, and vegetables.

The United States is Latin America's best customer and greatest supplier of goods. In fiscal 1958, the Latin American republics were the United States' greatest trading partner, outstripping Europe by $800 million.

The gold and dollar holdings of the area declined by $429 million during 1958. Many of the countries' reserves were already close to the practical minimum.

In order to increase its output, raise the standard of living, and carry out land resettlement and industrialization, Latin America has been seeking assistance. To help them achieve their aims, international institutions and the United States have extended credit through such facilities as the Export-Import Banks, the Development Loan Fund, P.L. 480 loan funds, the World Bank, private banking institutions, other private enterprises, and the new Inter-American Development Banking Institution.

Credit arrangements become really important in our efforts if they help to develop economic projects which create jobs and increase earning power. Average income per capita in Latin America is about $250 per year. Think what a little increase in this average would do for the sale of food to these people. What we need to find out is just how their scarce foreign exchange can be channeled into the purchase of more U.S. farm products and how we can help these people live better.

Dr. Raymond Miller has coined a new term: "Service Capitalism." If we

are to increase our trade in farm products with Latin America, capital must come in, not with the sole expectation of receiving immediate profits but also of performing a service for the local people. If we can demonstrate that our activities are for the benefit of the people we hope to develop into customers, we can reap tremendous benefits in the long run.

Discussion

Many countries simply cannot become self-sufficient in food supply. Colombia, for example, could not under present circumstances be agriculturally self-sufficient.

Commenting on whether U.S. import quotas or a higher U.S. tariff are preferable one attache stated that he preferred quotas because through them the foreign country can earn more dollars. It was suggested that, as a general rule, the best policy is the one that permits the largest amount of trade. The comment was made that Argentina also preferred a quota because it permits them to earn more dollars, and that Argentina will be coming back into the agricultural picture one of these days, reversing the decline of recent years.

Mr. Gabbert spoke on "U.S. Economic and Trade Policy in Latin America as Related to the Movement of Agricultural Resources."

The objectives of U.S. foreign economic policy are closely interwoven with our foreign policy objectives. These basic objectives fall into three categories: (1) promotion of the economic strength of the United States; (2) promotion of the economic strength of the Free World; and (3) improving cooperation in the Free World.

In carrying out these basic policy objectives, the United States employs the following tools: (1) expansion of trade through the gradual and reciprocal reduction of government barriers through the trade agreements program; (2) encouragement of an expanded flow of private capital into foreign investment channels; and (3) helping friendly countries to strengthen their economies through our economic and technical assistance programs.

The Department of State is vitally interested in the effects of our agricultural export programs on the markets of friendly countries. The Department of Agriculture has an important stake in our foreign relations in its primary function of looking out for the welfare of the American farmer at home and abroad.

State Department files contain a considerable number of Diplomatic Notes protesting against our surplus disposal activities, most of which date back to the earlier years of P.L. 480. The majority of these were based on a fear of what might happen rather than what did actually happen. Our current consultation procedures have eliminated most of the protests because

other exporting countries now realize that we have not unduly disrupted world agricultural markets and that our programs of assistance to the less developed countries are to their advantage as well as ours. On the other hand, we also have special problems with some of the more politically sensitive, less developed countries of Southeast Asia which depend upon exports of rice for whatever foreign exchange they can earn. It would not be wise from a foreign relations standpoint to displace their normal exports, nor would it make sense in the best overall interest of the United States to weaken their economies.

Barter is one activity under P.L. 480 which gives the Department of State serious concern. We take precautions to safeguard normal commercial channels under Title I, but we do not give that concern the same emphasis in the barter program.

One of the primary tools we use to help achieve our foreign economic policy is to promote the expansion of trade through gradual and reciprocal reduction of government barriers. Yet we find ourselves sometimes drawn into contrary actions which must be confusing to our friends abroad. Let us establish through our deeds as well as our words a reputation as a sincere, square-shooting partner in international trade. It will pay dividends in the long run.

Discussion

The discussion was opened by a question as to whether barter deals would interfere with normal dollar trade. Mr. Gabbert replied that this would be difficult to prove but some 70 percent of the commodities moving under barter went to hard currency countries. It was also asked if it was wrong to use corn to buy industrial diamonds needed for the strategic stock pile, and his answer was that if the U.S. needed them, why couldn't we sell the corn for dollars and in turn buy the diamonds for dollars. He also stated that whether or not a barter transaction replaces a dollar sales is a matter of judgment and that he did not mean to criticize the barter program, but only to point up the problems.

Mr. Ioanes stated that there is an element of correctness in all the remarks made. The Administration considers the effect of barter proposals on U.S. dollar sales and their effect on sales of other exporting countries. A Congressman then asked if there is room for barter sales. Mr. Ioanes suggested that there is room and that the controversy stems from the problem of effect on dollar sales.

II - MARKET DEVELOPMENT TOOLS AND RELATED ACTIVITIES

Various speakers discussed one or more of the different programs that are or may be used to help develop markets abroad for U.S. agricultural com-

modities. Although the statements were given in different parts of the meeting they have been brought together in this section, as have some of the statements describing the background conditions in the area.

Mr. Parks reviewed the "Market Development Job".

He stated as his purpose the discussion of ways and means of successfully carrying out the market development job of creating, maintaining or expanding dollar markets abroad for our agricultural products.

He limited his remarks to broad fields of activity including tools available to the attache and a few examples of successful operations which might be used in Latin America.

Tools available to the attache in developing markets include market assistance, removal of trade barriers, credit assistance, special government programs, and 104(a) project activities. The latter entail cooperator projects and trade fairs, as well as utilization research. We have been committing over 5 million dollars equivalent per year for these projects. Project plans must be sound and practicable to assure maximum results for each dollar spent.

In countries where funds are scarce or non-existent Washington can still assist attaches by furnishing printed promotional material, technical aids, exhibit materials, and cooperators' movie shorts, and by suggesting small food demonstration activities.

In countries where funds are more adequate a greater degree of promotion can be employed, and projects used successfully elsewhere can be considered. Market development must be geared to the commodity and country situation. The attache has at his disposal many means of developing markets. Attaches must guide Washington in developing overall individual country programs, in coordinating efforts within the country and supervising and evaluating results.

Mr. Blowers, with the assistance of Mr. Eugene Oakes, discussed "Public and Private Investment in the Economic Development of Latin America," with special reference to the work of his own agency.

The basic function of the Export-Import Bank, the largest U.S. government credit agency operating in support of U.S. overseas trade, is to provide dollar credits and guarantees to assist in the financing of U.S. exports, without either competing with private lenders or making unsound loans.

The best way the Bank has found to fulfill its function is to help the borrowing countries increase the productive capacity of their economies. Its emphasis on projects which will either earn or save dollars for the

borrowing country makes it a development institution from that country's viewpoint.

The Bank has a capital stock of $1 billion held by the U.S. Treasury and authority to borrow an additional $6 billion from the Treasury. In recent years much of the dollar volume of the Bank's credits has been in "project" credits. The list of such credits in Latin America currently includes many of special interest to agriculture, such as railroads and highways, water supply systems, irrigation projects, and a wide variety of industrial ventures.

The Bank also extens other types of credits. Balance-of-payments credits help the borrowing country maintain its essential trade relations with the United States. Exporter credits assist in the sale of individual pieces of U.S. machinery and equipment. Commodity credits, usually large, finance the exportation of U.S. agricultural commodities. Foreign currency credits help private U.S. firms and their affiliates finance business development abroad, and also help foreign firms expand U.S. agricultural markets in their countries.

The law requires the Bank to facilitate U.S. trade. Thus the Bank must in turn require its borrowers to use the dollar proceeds of their loans for U.S. goods and services.

Over the Export-Import Bank's 25 years of existence, it has authorized credits of about $10 billion, of which about $3.7 billion were for Latin America. The $477 million authorized for that area in 1958 was the largest in the 25-year span, and amounted to about half the Bank's total lending in that year. Among these Latin American credits, $358 million went to implement economic stabilization programs in 5 countries; and development financing was also prominent among the purposes of the credits.

Current Latin American needs for balance-of-payments assistance from the Bank are cutting down the volume of exporter and project credits these countries can support.

The Bank is authorized to make loans in foreign currencies under Sec. 104(e) of P.L. 480, to private U.S. firms and affiliates of U.S. firms for business development and trade expansion and to private firms of the country for expanding the market for U.S. agricultural commodities. To date the Bank has authorized 59 credits in 8 countries for the foreign currency equivalent of about $27 million. Inquiries and letters of application for foreign currency loans may be made at U.S. Embassies or directly to the Export-Import Bank in Washington.

Discussion

Commenting on a milk recombining proposal that needed financing, it was asked if the Export-Import Bank would make such small loans. Mr. Blowers replied that the Bank makes any size loan, but that this particular proposal had not been brought to the Bank. It was also pointed out that the Bank does not make project loans to a country in need of corrective financial measures.

An attache remarked that a foreign agricultural organization wants to purchase cattle for a breeding improvement program. He asked whether the Bank made a loan for this purpose. Mr. Blowers' answer was in the affirmative, provided the loan request came through a reliable bank. The speaker suggested that the proposal be sent to the Bank and, if it has possibilities, the Bank will send people down to look into it.

Mr. Blowers was asked to comment on the proposed Inter-American Development Bank. He replied that he believed that there is plenty of credit available for the dollar component of sound loans but the Bank may give useful experience to the South Americans in the problems of investment banking for development; and that it might provide credit needed for certain social services such as schools and hospitals.

Mr. Blowers pointed out that the Bank tried to favor projects that contribute to the economic development of the country and that, in general, they prefer fixed asset loans since long-term loans are usually the problem in the country and the Bank is ready to make such long-term loans.

In reply to a question about United States affiliate firms, Mr. Blowers commented that interpretation of the "affiliate" depended on the particular country. Where there is a lot of money available for loan, they are more liberal than where the amount of money available is short. Asked what happens when there is a drastic reduction in the currency available for loan because of a shortfall in the Title I sale, Mr. Oakes agreed that in some cases the amount of money for loan actually available is considerably less than had been anticipated.

On the question of whether the Bank competes with private bank loans, Mr. Blowers stated that it makes the loan only if the private bank has turned the customer down and then only if it is a bankable loan. Further, the Bank will sell its paper to any bank wanting to buy it. "Does this mean you are not a competitor of any American bank in Colombia?" Mr. Blowers was asked. He replied that they are not.

The question was asked whether Export-Import Bank loans result in Colombian banks being more selective in the loans they make. Mr. Blowers replied that

they have been selective because there is such a large demand for loans.

In reply to a question, Mr. Blowers stated that the Bank does not make Cooley loans to finance importation of material. The Chairman commented that the question had come up in Peru of using Cooley loans to provide credit to Peruvian wheat importers. It was pointed out that this loan had been turned down on the ground that it would not contribute to expanding the import of wheat, and that it had not been necessary to consider the question of using Cooley funds for working capital loans. The Chairman pointed out that the local currency loan would have been used for buying Title I wheat and not to buy dollar wheat.

Mexico requires that when a loan is made, Mexican materials be used. What requirements are there for using U.S. materials under a Cooley loan? Mr. Oakes replied that this is a different kind of program, and that borrowers are eligible to use local currency for local costs although local currency could not finance the importation of U.S. equipment. Mr. Blowers added that under dollar loans, the dollars must be used to purchase U.S. equipment. In reply to a question about a combination of Cooley loans and dollar loans, Mr. Blowers replied that in general the Bank would not want to get too much money into any one project.

Mr. Beall discussed "Dollar Sales, Credit Sales, and Barter."

Between July 1, 1953, and October 31, 1958, he said, the Commodity Credit Corporation has moved into useful channels at home and abroad Corporation-owned commodities whose cost value totaled $14,675 million. Of this, domestic and export sales for dollars amounted to $8,032 million, or 55 percent; sales for foreign currencies under Title I of P.L. 480, $1,661 million, or 11 percent; barter transactions, $1,489 million, or 10 percent; payment-in-kind transactions, $263 million, or 2 percent; and transfers of stocks to other Government agencies, $3,230 million, or 22 percent.

Export sales, which account for about 60 percent of total dollar sales, are usually made at prices somewhat below domestic levels so that American exporters can compete on a more even basis with producers in other countries. To stimulate export sales, CCC sells some of its commodities on credit for periods up to 36 months, with higher interest rates for the longer periods.

In November 1958, the barter program was modified by provisions designed to keep it from disrupting world prices or replacing cash sales. Three classifications of acceptable barter outlets were set up, each involving a combination of an importing country and a specific agricultural commodity or group. Under these classifications, countries are rated from A through C according to their potential as dollar markets for the various commodities that may be bartered. For contracts involving "A" designations, USDA must have enough information to satisfy itself that usual U.S. marketing will be safeguarded; in addition, the material to be received in barter must come

either from the same country that is to get the U.S. agricultural commodity (under "bilateral" contract) or from a specific third country, with a direct link to the agricultural export (under a "multilateral" contract). "B" contracts may be either bilateral or multilateral. "C" contracts for markets where cash sales are least likely, may be "open end," with no restrictions as to commodity, source, or destination, except for the general one limiting these barter transactions to friendly countries.

Eligible commodities vary from time to time. For March 1959 they are as follows: Cotton, tobacco, rice (in limited quantities), wheat, corn, oats, barley, sorghum grain, soybeans, butter, and nonfat dry milk. Also subject to change is the long list of foreign-produced materials that may be acquired for the supplemental stockpile by barter.

Discussion

The discussion began with a question on whether usual marketing requirements under Title I agreements running several years are subject to change while the agreement is still in effect. Mr. Ioanes replied that most Title I agreements run only one year and that the usual marketings take into consideration attache recommendations, and that season's crop conditions. There would be few cases in which the usual marketing would be changed in the course of the agreement.

Since Colombia is a "C" country, is a dollar commitment by the government required before awarding a barter contract? Mr. Beall replied that in the barter program we do not deal with a government. It is a deal with private trade. The good points of barter are: it takes material that we want for stockpiling; it gives additional employment; and helps the economy of an underdeveloped country.

What responsibility has the attache in initiating barter? Mr. Beall replied that he can make information available and can make suggestions about barter. Mr. Ioanes added that a barter procedural instruction is on its way to the attaches.

Mr. Beall replied to a question on credit by stating that CCC credit is not used as a device to replace commercial credit operations.

Mr. Smith presented a paper on "Public Relations for American Agriculture." 1/

Public relations is one of the most important factors affecting your work, Mr. Smith noted. These Latin American countries have had a long and sometimes tragic history in developing toward stable democratic governments. Unrest is usually caused by low standards of living, unemployment, and in some cases an actual lack of enough food to provide an adequate diet for the people of the country.

1/ Presented for Mr. Smith due to his illness.

Mr. Smith advised the attaches that the work in selling our agricultural products to these countries is an extremely important factor in their development.

The Latin American, like many other people, is sensitive about the economic conditions of his country, he advised. Because of this sensitivity and the sensitivity attached to using food as an arm of our foreign policy, it appears that the U.S. should not shout from the roof tops how generous it is in making these materials available.

Mr. Smith stated that the Communists in the Latin American area are using as one of their lines what they call the lack of economic aid by the United States and state that we have abandoned the American Republics and are taking them for granted. This criticism comes not only from Communist inspired sources, but also from other elements which are either anti-American, uninformed, or both.

He commented there is always the possibility of resistance to the U.S. agricultural sales programs by members of vested interests in a country, such as the agricultural and dairy associations and that such resistance can be mitigated by suitable public relations.

Discussion

Two of the attaches commented on the public relations importance of knowing the language in order to know the people, and were told that FAS is trying to solve the problem by using Department of State and other language training facilities, and by encouraging language training at the post. One way to reduce opposition to P.L. 480 is to emphasize that it must be requested by the local government, and will be dropped any time the government wants it dropped. One attache suggested the advisability of attaches remaining in one area, and was told that FAS hopes to keep people in a country fro two tours of duty. Furthermore, attaches should not be kept in desirable or indesirable posts for a long period.

Mr. Howard discussed the procedures used in carrying out Section 104(a) foreign currency market development projects. He directed his remarks to a draft of these procedures which had been previously circulated.

He advised that this procedural manual sets up new policy to only a modest extent. More important, it codifies existing policy which has developed in practice and makes it available to attaches and cooperator personnel as well as to Washington. Attaches had an important role in drafting the document.

He outlined through the procedure for starting market development projects, emphasizing the following points:

1. Earmarking funds for market development, i.e. 104(a), in Title I agreements is no longer being done. Market development is lumped with other U.S. uses and the Bureau of the Budget has not yet announced how these funds will be divided. We are still using funds earmarked in previous years.

2. Budget Preparation - Attache recommendations are requested before the budget is prepared. This is the time attache views can be of most help. When budget is sent later for formal embassy clearance, suggested changes are much less welcome.

3. Project Proposals - "Approval in principle" is now required in the early stages of project development. Proposals are sent to the attaches and their suggestions are again welcomed.

4. Agreements are now drafted by the commodity divisions and a copy is sent to the attache for final clearance.

5. Reports on many projects are not being submitted. A drive to correct this is being launched. Attaches have an important role in seeing that these reports reach Washington.

Criteria - Special attention was called to the section on criteria, in paragraphs 101, 101.21 and 101.22

Discussion

Should the attache see a proposed agreement as well as the "approval in principle" statement? Four thought so, and a fifth added that a copy of the agreement should be sent to the attache before signing. One asked how much of the substantive work would be spelled out in the "agreement in principle," and was told it is primarily a justification rather than a detailed description. The attache replied that he would still have to get further approval on the details of the work. We look to the attache for real advice, he was told.

In commenting on the question of how to determine local government reaction, an attache suggested talking with the head of the relevant commodity board. Another said he talked with local officials in general and with specific officials only with some difficulty. A third stated that in his case he needed the clearance of the local government. Mr. Ioanes suggested that we should assume the foreign cooperator is recognized by the local government and the attache should use his judgment. If the attache looks too long and too hard he would always find objectors to a project.

Attaches need to know about subcontracts under agreements and who is carrying them out. Mr. Ioanes suggested that subcontractors were the cooperator's employees. An attache asked whether cooperators were required to advise attaches in advance when bringing in persons to the country, and was told "Yes, except for regional representatives."

One of the cooperators stated that at a meeting in Washington of cooperators, the new procedure had been discussed. The feeling is that this procedure is getting complex, involving a tremendous amount of paper work; cooperators are becoming more selective and hesitant in undertaking projects because of this paper work. He stated further that he thought it would be much more useful and effective to carry on projects on a "contractual basis", as for research. Mr. Ioanes pointed out that since the FAS contribution to projects far exceeds the cooperators' contribution and thus so much of Government funds are involved, these funds must be carefully controlled.

It was stated this procedure is a guideline to insure equal treatment to all cooperators. A large part of it is fiscal, and agreements with cooperators have to be general and are broader than research contracts. Furthermore, the research contracts referred to are for a small segment of the job. Reports are required quarterly and are a requisite for the next quarter's fund allocation.

Mr. Garber spoke on "The Food Donation Program."

During this last fiscal year, 2.8 billion pounds of food -- valued at almost one-half billion dollars -- was distributed to overseas recipients. Currently, over 60 million people in 91 countries are benefiting from U.S. surplus food, he said. A total of 21 voluntary agencies are helping to see that this food gets to the needy people.

The basic obligation of the Commodity Credit Corporation is to operate a price support and stabilization program at the least possible cost to the American taxpayer, he stated. Thus, outlets for surplus commodities which provide a financial return to the Corporation have a higher priority than donations for either domestic or overseas use.

Domestic requirements are to be met before supplies can be offered for foreign donation. In fact, first priority for domestic recipients is more than Department policy; it is a specific requirement of the Section 416 legislation.

Donations are intended to supplement, not replace, regular commercial transactions.

A major policy has been to caution the voluntary agencies and the recipient countries from basing a full-scale relief or welfare effort solely upon the availability of U.S. surplus foods.

Agricultural attaches can be of assistance in helping to improve the effectiveness of foreign food donations.

The Department's first concern is that donation programs do not disrupt normal commercial transactions nor work to limit opportunities for sale or barter of CCC-held inventories. In cases where such a possibility exists, the attaches are in a position to advise the Department concerning the desirability of continuing or adjusting the donation program.

The attaches should report through regular FAS channels any indications of ineffective or improper use of commodities in recipient countries.

An appraisal of the overall effects of donation programs should be part of this continuing responsibility as representatives of the Department.

They can help in better acquainting our Central and South American friends with the purposes and objectives of this donation program. Too frequently, still, the United States misses opportunities to tell effectively the story of how its abundant food production is being used in meeting human needs the world over.

How to accomplish these things must largely be left in the hands of the attaches. There can be no set procedure to tell them exactly how to proceed. But, as Mr. Garber understands, the attaches' overall responsibilities, this is pretty much the case in all phases of their work.

Discussion

An attache asked how to reply to the question that food donations might replace normal commercial sales. He was told that when the people have funds, they will buy additional agricultural products. One of the attaches pointed out that if people learn to eat the foods, they will eventually buy them. In Colombia, for example, 4,000 bottles of milk are distributed daily in the schools in poor areas. During vacation, milk sales go up. Another attache said the dairy people in some countries are against the program on the ground that it is lowering the price of milk and replacing commercial sales. Countries may need assistance, but the problem is how to provide it without hurting their feelings.

The attaches were asked if there were criticism from others who might otherwise be supporting the program. One of them commented that Costa Rica has surpluses of milk during the rainy season and that the government believes that CARE program interferes with the use of this surplus.

Another stated that some of the commodities from the donation program do get into the black market but 90% of the complaints are unfounded. One asked, if it would not be better if the name of the United States were put on the containers in the native language? Mr. Ioanes suggested

that this should be worked out in each country, to which Mr. Garber agreed.

Mr. Marston discussed the Department's program of overseas research with foreign currencies.

A new use for the foreign currencies that accrue from the sales of U.S. farm commodities is that of supporting foreign research programs that are of definite benefit to U.S. agriculture, Mr. Marston said. Cooperating with the Foreign Agricultural Service in this activity are the Agricultural Research Service, the Agricultural Marketing Service, and the Forest Service. The Foreign Contracts and Grants Program of ARS is the center where this program is administered.

In choosing the research to be sponsored, these criteria are being followed: Projects are to be: (1) of interest and value both to the United States and to the foreign country, and they are not to intensify competition on the international market for U.S. agricultural products; (2) research is to be mostly fundamental rather than applied, for findings from fundamental research can be applied or adopted in other situations; (3) projects are to be of kinds that can be studied more effectively in the foreign country than in the United States.

USDA survey teams representing research in utilization, farming, marketing, and forestry have already surveyed 8 countries in Europe, 6 in Asia, and 6 in South America. Each survey was necessarily short; but the teams could explain the programs to officials in the countries and could visit enough research institutions for a reasonable estimate of research competence.

In each country, the U.S. agricultural attache will provide liaison, transmitting all proposals for projects and all communications with research institutions.

Discussion

An attache pointing out that it is difficult for the attaches to supervise research, asked whether it would be appropriate to have a research attache. Also, some countries are critical of independent research projects by the United States, and there is a likelihood that their Minister of Agriculture will object. Mr. Marston replied that they do not expect a technical evaluation of the research by the attache, but merely a report on the reputation of the researcher and the kind of facilities available.

An attache asked whether Aftosa research will be carried on, and was told that it is being carried on in the United States in adequate facilities with some success. He pointed out that the major criteria in selecting research projects is its advantage and interest to United

States agriculture.

A Congressman asked what is being done about a concentrated ration for undernourished people. The conference participants were not familiar with any work being done in this field by the Department.

III - THE MARKET DEVELOPMENT TECHNIQUES

Plans for the conference called for the discussion of a number of market development techniques led by attaches who had had experience with them. The limitation in time did not permit full discussion. However, in addition to those discussed, some of the attaches have provided notes on their particular topics.

"Chilean Experiences in a Milk Recombining Program" by Samuel Work, Agricultural Attache, Santiago, Chile.

If there is an organized dairy industry, we need to clear the program with the industry and to cooperate with them so they will not create obstacles. This was accomplished in Chile through the DSI team headed by Bernie Beach who was in entire agreement with the viewpoint of Chilean dairymen.

There is a problem of getting the interest of national or U.S. entities to engage in a milk recombining program. In Chile this was finally accomplished by sending a Chilean to the Sao Paulo Trade Fair, and from the Washington side through gaining interest of the United Dairy Co. through the DSI Reports and by FAS/Washington.

The problem of duties was resolved here by starting in a free import zone. Other charges however, have been so great that estimated costs of the product materially increased in an area where incomes are quite low. This has caused misgivings on the part of the Public Health authorities who at the beginning were wholeheartedly in favor of the program.

Cooperation with local health authorities is essential. If the Public Health authorities expect to be pulled into the project and this does not occur, certain misunderstandings may arise and cause difficulty in plant operation.

Will a plant use U.S. nonfat milk and anhydrous fat or will it seek other possibly cheaper sources? Under a Section 104(a) project this can be controlled. However, where a plant operates independently there is no certainty that the U.S. products will be used.

"Are We Supplying Commodities in Forms and Quantities Desired by Importing Countries?" by Chester Davis, Agricultural Attache, Havana, Cuba.

Bulk and processed agricultural commodities, in most cases, arrive in Cuba in good shape. Exceptions have been beans from the West Coast and seed potatoes from the Red River Valley of North Dakota and Minnesota. Measures to correct the bean situation have not always been successful, which has been embarrassing as the validity of USDA certificates is at stake. The potato problem arose because the Cuban plant quarantine law prohibits the entry of any plant or article with soil attached. Efforts on the part of FAS/USDA officials has resulted in considerable, but not universal improvement.

Discussion

On occasion Venezuelan importers have been dissatisfied with the quality of U.S. eggs. Venezuela now requires that the grade and the word "Imported" be stamped on each egg. Some U.S. eggs arrived in used containers and packing. Other country's eggs have been underpricing U.S. eggs. Another attache added that there had been problems with bad lots of beans and that, when advised, the U.S. exporting firms would take no action or responsibility. The Chairman commented that sometimes this may be due to improper handling in receiving ports. Attaches must be careful not to interfere in contracts between buyers and sellers. One attache pointed out that in many cases the buyer knows the time and place of inspection and could get a new inspection. Another suggested one technique for working with quality problems was to give help to purchasers in preparing better specifications. A Congressman commented about the high quality of Kansas eggs and suggested the problem in poor quality shipment is the welfare state tendency. He believed competition is the best way to get best quality.

It was suggested that the shipper may send the eggs in good shape but they may arrive in Venezuela in poor shape because of the length of travel time or handling or other difficult conditions. An attache replied that the U.S. has advantages in shipping distance and availability of refrigerated ships over Canada and Denmark, the competitive shippers of eggs. Another suggested that action by a trade association can be very useful and referred to the improvement in shipments of tallow to Japan as a result of such action. One of the attaches added that, unfortunately, Latin America is on occasion used as a market for off-quality commodities.

"Test and Panel Evaluation for Soybean Oil, Under the Sponsorship of the Agricultural Attache's Office", by Clarence Pike, Agricultural Attache, Lima, Peru.

Efforts to develop a market for soybean oil in Peru had been blocked by a widespread idea that it was unsuited for edible uses. Local processors also contended that soybean oil packed in clear glass bottles presented a

problem of reversion and developed "light struck flavors." To clarify the situation, FAS and the Soybean Council conducted a test and panel evaluation for soybean oil. U.S. industry shipped deodorized soybean oil air express. Then under the supervision of the Ministry of Health sample bottles were prepared of 100 percent cottonseed oil, 100 percent soybean oil, a 50-percent blend of both, and a blend of 75 percent cottonseed and 25 percent soybean oil.

At the end of the first week the samples were opened, submitted to a flavor test, and graded, and this was repeated at the end of the second and third weeks. The test proved that soybean oil maintains a stable quality for 3 or more weeks when packed in clear glass and under normal market conditions. It helped overcome some of the misconceptions of the "local oil industry" and informed trade interests about the suitability of soybean oil for their needs. It resulted in an improved attitude on the part of the oil processors by winning the good will of its most influential members as well as of government officials concerned with the supply and distribution of oil. And it helped clarify the FAS position with regard to the possible imports of soybean oil under P.L. 480.

"Commodity Team and Technician Vistis to and from the United States", by Henry Hopp, Agricultural Attache, Bogota, Colombia.

In 1958 various U.S. commodity teams visited Colombia and one Colombian team -- wheat -- went to the United States. These interchanges mostly resulted in definite progress. They were most effective when they could be timed to fit into specific problems hampering the marketing of products. The arrangements were generally made with Colombian industry and usually involved only informal contact with the Colombian Government. The itineraries were worked out with the local industry and were most effective when carefully planned. The visitors received a background brochure and were also given a preliminary orientation on arrival. These efforts have practically always required follow-up either at the local level or by correspondence to carry out the suggestions that develop.

"Livestock Shows, Demonstration Herds, and Use of U.S. Livestock Judges", by William Rodman, Agricultural Attache, San Jose, Costa Rica.

The United States is now the principal supplier of breeding stock to many foreign countries. These exports should not be detrimental to U.S. exports of meat and dairy products mainly because the United States normally imports more red meat than it exports. A second point is that per capita consumption of meat in most Central and South American countries is quite small because domestic supply is limited and the price is relatively high. To correct this many countries have started livestock improvement programs, and the U.S. is in the position to get in on the ground floor as the primary source of seed-stock. But we won't win friends and develop markets

by rushing out to sell until we have done some essential ground work to determine if the market exists, if the country is suited to raising livestock, and what breeds of U.S. livestock will be best adapted.

Once the market has been found favorable, here are some methods that have been used: Sending U.S. livestock specialists to judge at foreign shows; establishing demonstration herds abroad to show that U.S. breeds are adaptable to local conditions; use of Section 104(a) funds to subsidize air freight for cattle exhibited at a major show, then sold at public auction; bringing livestockmen and agricultural students to the United States to attend shows and sales; extending direct credit for the purchase of livestock.

The interest and participation of both breed associations and individual livestockmen is essential. If they do not feel a sense of responsibility toward a project, there is no point in developing it.

"The Agricultural Fair as a Market Development Technique", by Charles Elkinton, Agricultural Attache, Rio de Janeiro, Brazil.

Before embarking on a fair, define your objective -- to introduce consumer and trade representatives to U.S. farm products with an aim to encouraging greater imports from the U.S. Determine the market potential, learn the import regulations for exhibit materials needed, and consider the relative desirability of available exhibit locations and services. Obtain the local government's support.

Once you decide to stage a fair, look after such details as budget, assignment of a Fair manager, contract with construction firm, help from local commercial firms, and utilization of ICA facilities and personnel. Even though thousands see your exhibit, you will reach only a small fraction of the population, so maximum publicity will be needed. Producer and trade groups should be issued special invitations; also, it is a good idea to arrange for special receptions and dinners using U.S. farm products, thus permitting business men on both sides to meet and talk.

Follow-up is important. Pursue discussions with government officials regarding removal of trade restrictions. Make further information available to traders. Arrange for extended or new P.L. 480 agreements and follow-up discussion of the market development projects. The last stage is evaluation -- was it worth the price?

"Direct Advertising", by Henry Hopp, Agricultural Attache, Bogota, Colombia.

In Colombia, direct advertising of agricultural products has been conducted for three commodities: wheat, dairy products, and cotton textiles. International, U.S., and local industry groups have participated, and the media used has included newspaper advertising, radio, T.V., women's pages, leaflets in supermarkets, and so forth. The wheat project concentrated

on better nutrition, and surveys made indicated that it did influence consumer habits. The dairy promotion work spotlighted dairy products, and during the campaign the consumption of milk increased markedly. The cotton textile project was launched at the Bogota International Fair in 1955 and has been pushed by the Colombian industry, resulting in constantly increasing consumption.

Our experience with direct advertising indicates that: it produces results only when the products have access to the market; it is successful when it is cooperative, i.e., in cooperation with local industries, with the minimum identification with U.S. products, and also when the publicity outlets give their time and space free of charge; and the effect of advertising on the nutritional habits of the population is difficult to evaluate but the campaigns do have considerable effect on government policies.

"Convenience Foods," by Douglas Crawford, Agricultural Attache, Guatemala City, Guatemala.

Sales of the convenience foods that we know in the United States are limited because of high duties, high markups, and different food habits. Probably no more than 5 percent of the population buys them, the rest of the people cannot afford them.

In estimating sales possibilities, one must remember these fundamental facts: For volume sales, the product must not require refrigeration; the product must be cheap; the product must be either eaten as is, boiled, or fried since ovens are scarce; time-saving is not a significant factor in food preparation; fresh vegetables and fruits are available year round; only the upper classes have food habits akin to Americans, so progress with convenience foods would have to be associated with this group; and, the people do not have much understanding of nutritional matters.

This does not mean that no possibilities exist for convenience foods, but efforts must be transitional. You can't jump from simple raw foods such as beans and corn to frozen peach pies. Breakfast foods, such as corn flakes and oatmeal, have been accepted and so have packaged dry soups, all of them because they are cheap and not too complicated. No one, however, has paid sufficient attention to creating specific types of foods for Latin America which meet the criteria I have mentioned.

"Three-Year Sales Agreement under P.L. 480 Agreements", by Charles Elkinton, Agricultural Attache, Rio de Janeiro, Brazil.

The principal advantages to the United States of the three-year P.L. 480 agreement appear to be: some countries that would not be interested in a 1-or 2-year agreement may be willing to enter into a 3-year agreement;

the USDA may be able to forecast more accurately probable exports; a material reduction in the manpower requirements for negotiating sales under P.L. 480; allowing forward planning for local currency uses; and, easier expansion of consumption of U.S. surplus products, since one year is not long enough to make a lasting impact on consumer tastes and habits.

The disadvantages to the United States are: it is often difficult to forecast the need for imports of a single country over a 3-year period; long-term agreements could give the foreign government an opportunity to repeatedly renew or extend purchase authorizations as an internal price control device; with soft currency countries, it is difficult to agree on exchange rates that will remain valid or acceptable to both parties over a 3-year period; it is also hard to get agreement on the "usual market" for a commodity 3 years in advance; and, forecasting some commodity availabilities is also difficult -- thus it may be desirable to have a split agreement, i.e., certain commodities for 3 years, others for one year only.

IV - OBSERVATIONS BY MEMBERS OF CONGRESS

The conference was privileged to have the participation of five members of the Congress of the United States, most of whom took part in practically all of the sessions. Following are brief notes on their remarks toward the close of the session.

Statement by Senator Karl E. Mundt of South Dakota

"This is a working conference and I am tremendously impressed by the variety of subjects and the depth and adequacy of comments on a great number of items.

"The job of an attache is to see that important needs of these countries are supplied when possible with United States agricultural products sold for dollars, or failing in that, to barter or sell our farm products for foreign currency under Public Law 480.

"We have not yet found the most effective method of utilizing these foreign currencies and we must develop a system where we will get full value received.

"The challenge is not to figure out how to buy most cheaply, but to buy commensurate with United States price levels. If we pay a little more for their products, they will be able to buy a little more of ours. This will help their economy and ours, increase good will, and help us in the cold war."

Statement by Senator Gale McGee of Wyoming

"This has been a schooling experience for me. I am here to learn.

"We are changing the living habits and diets of people who may have been happy before this change. We have to follow up on our program. It cannot be a year to year program. The more you know, the more difficult it is to come up with the right answer. The agricultural attache works not only in the interests of the U.S., but in the interest of the country to which he is assigned."

Statement by Senator Roman L. Hruska of Nebraska

"This meeting of agricultural attaches has been very revealing for me. My interest in a larger way in them and their work goes back to 1954 when the law was enacted placing them under the Department of Agriculture. Three things here especially impressed me: the scope of their work, the practical and commendable fashion in which they approach their problems, and the caliber of men composing their group.

"These things were brought out as a result of the reports they gave, the informal visits I had with many of them, and my observations of their discussion and conduct during the meetings of the conference, as well as with some of the outside agricultural groups in Colombia. It would be presumptuous on my part to venture judgment as to whether they are over-staffed in their several offices, whether they are exploiting opportunities to their fullest potential, and whether the very maximum is being derived from their time and efforts. However, I am satisfied that they are a dedicated group with a good technical and professional background; that their work has been accompanied by progress in the desired goals of larger exports of farm stuffs, as shown by the record; that their reports aid market development; and, that they will continue to contribute to happier relationships with Latin American countries."

Statement by Congressman Carl Albert of Oklahoma

"I have been impressed with this conference by what you have had to say and by the quality of the men representing the U.S. Everyone of you is interested in his job and your mission is a good one. Our committee represents that group of the representatives in Congress whose job is to represent American agriculture before Congress. The agricultural program is meeting consumer resistance and is in trouble with the taxpayers. The technical revolution in agriculture means that the American farmer produces more than we can consume domestically. The only solution is expanding markets abroad. If the agricultural economy in our country should weaken, then the whole economy weakens."

Statement by Congressman Wint Smith of Kansas

"American taxpayers are getting more tax conscious. They wonder if we are pricing outselves out of the world market! Many believe this is our most serious problem in maintaining our American ecomony at its present high living standard. Many of us firmly believe that by reason of our high labor costs and our give-away programs, we will sson be a non-competitor in the world market."

V-THE U. S. AGRICULTURAL SITUATION

Assistant Secretary of Agriculture Clarence L. Miller brought the attaches up-to-date on the current situation and problems of U.S. agriculture. He also indicated some of the policies that are in effect or being developed to meet these problems. Following are brief notes on his comments.

"The U. S. Agricultural Situation", by Assistant Secretary of Agriculture Clarence L. Miller.

U.S. agricultural productivity is continuing at a high level, he commented. Crop production last year climbed to a new peak, 11 percent higher than the previous record. This huge production was achieved with the smallest planted acreage in 40 years. The standard of living on U.S. farms is the highest on record.

Last year we had a record crop of wheat, 1.5 billion bushels, Assistant Secretary Miller pointed out, and if we didn't grow one bushel of wheat in 1959, we could still meet all our current domestic needs and all our probable export needs -- and still have a big carry-over on July 1, 1960.

Like wheat, U.S. feed grain production -- some 154 million tons last year -- is at an all-time high and stocks are mounting, he remarked.

U.S. cotton production last year was up 11 percent, giving us a larger supply for the current year than estimated disappearance. As contrasted with a 5.7 million bale export last year, this season we are encountering major price competition from other exporting countries, and our shipments may be in the neighborhood of 3 to $3\frac{1}{2}$ million bales, he commented.

Dollar sales are still our major goal and our biggest single outlet. All the major export items held by the Commodity Credit Corporation are available for sale at competitive prices or on a reduced price basis.

We have recommended to Congress that Title I of P.L. 480 be extended for another year beyond December 31 when the present authority expires. We proposed an additional $\$1\frac{1}{2}$ billion for this work, the same amount as this year, the Assistant Secretary indicated.

In spite of the dip in cotton exports, total U.S. agricultural shipments for the year ending June 30 are expected to be about 3.8 billion dollars, he observed. This is just under the $4 billion of last fiscal year, which was the third highest on record.

Without detracting from that achievement, he said that it is not good enough when viewed in light of our supplies.

The Assistant Secretary emphasized that U. S. agriculture has a great stake in the work which the agricultural attaches, in partnership with U.S. trade, are doing.

VI - OBSERVATIONS BY TRADE REPRESENTATIVES

Attending the conference were representatives of a number of U.S. private agricultural and trade groups concerned with market development. They participated actively and constructively in the many sessions. Several of them had concluding observations, which follow.

Mr. Haugh discussed marketing prospects for inedible tallows and greases.

The National Renderers Association produces about two-thirds of the output of inedible tallows and greases in the United States. Of this, about half must be marketed outside the country's continental limits. The reason for this excess of production is the technological changes that took place after World War II. The product itself is one of high quality and low price, which does not compete with edible oils but has its own place. It has two major uses. The first is in soap, which in the United States has lost much of its market to detergents. The second is in the addition of fats to feed. This use, a fairly recent development, now consumes from 15 to 20 percent of U. S. disappearance. Its advantages to the feeder are many: it makes the feed more palatable and digestible, increases the efficiency of conversion, reduces dustiness and thus reduces loss in carry-off by air. In Latin America both these uses for tallow and greases can be promoted, but in view of the development of the cattle and poultry industries, fats-in-feed offer special opportunities to the U.S. trade.

Mr. Hope and Mr. Smith discussed market development for wheat in Latin America.

Two important organizations working to promote the sale of U.S. wheat and wheat products in Latin America are the Nebraska Wheat Growers Association and the group to which it is now turning over these responsibilities -- the Great Plains Wheat Market Development Association. The NWGA has provided overseas representatives and assistance for wheat promotion offices in Rotterdam, Lima, and New Delhi; and its Lima representative has become South American director for the new Great Plains organization, with wide responsibilities for developing projects in the area.

NWGA works closely with FAS; in its overseas operations, in preparation for trade fairs, in planning for trade missions to the United States, and in negotiating market development agreements covering many countries of

the world. It also works with the Millers' National Federation in projects involving flour, and with other wheat growers' organizations to encourage the forming of larger regional groupings such as the new Great Plains association.

The regional office in Lima is of particular interest for wheat and flour promotion in Latin America. Projects under consideration by the office with the various agricultural attaches cover 7 countries, and include such activities as school lunch programs, nutrition programs, laboratory installations, training schools for bakers, special advertising, and the sending of teams to the United States.

Discussion

An attache suggested that attaches should get a chance to comment before market development project visitors are sent to their country.

Another participant suggested that we should not be in too much of a hurry to change the ways of doing things in a foreign country. He suggested that some of these countries have been oversurveyed by FAO and other organizations, and suggested there be an exhaustive review of existing surveys before new ones are undertaken. Another attache agreed that useless surveys should be avoided, but that in general market development surveys have been very useful and have been done only in consultation with the attaches.

The participant commented that he had been listening to the talk about removing import restrictions and had been thinking about the barter discussion earlier. He wondered whether barter will make it difficult to remove restrictions. For example, he suggested that a Haiti barter deal might tie up the wheat market for five years.

Mr. Boals discussed market development for flour in Latin America.

New local mills are posing a problem for U.S. flour exports in Cuba, Guatemala, Venezuela, and Haiti. In each country, special protective measures are being used to restrict U.S. flour imports; and these are being studied to see how they might be modified to permit consumers of wheat foods to have both the quantity and the quality they desire.

The experience of the Haiti mill illustrates some of the effects of increased local milling both on U.S. flour markets and on the local economy. This mill was given monopoly status and received the full IWA wheat quota last year; the duty on wheat flour was increased 250 percent. Since then, the trade reports that poorer quality, distribution problems, and higher prices to bakers and consumers have cut the consumption of wheat food by about one-third. Haiti's regular

flour imports had brought good service by shipping lines to all areas; this service was sharply cut when imports stopped. In turn, Haiti's exports of coffee and other products suffered.

Recent developments in the U.S. milling industry that are of consequence to Latin American markets include the following: A new milling technique called particle separation; the increased use of sugar in flour mixes, which offers interesting possibilities for relating flour exports to sugar imports; the top position of large U.S. companies in food advertising, which could aid Latin American coffee countries through joint advertising of wheat foods and coffee; the boom in prepared mixes and other convenience foods that are difficult for most importing countries to prepare.

Market promotion activities by the Federation are of long standing. It was one of the first FAS cooperators and even preceded the U.S. Government in this field. Its experience includes trade fairs, joint promotion with local trade groups, local advertising, school lunches, nutrition education, special movies, foreign language publications and translations, and technical help, with special reference to assistance in the removal of trade barriers.

Discussion

An attache pointed out that when he had been in Venezuela, he noted that the prime movers to restrict the entry of U.S. flour were Venezuelan flour mills financed by American flour millers. Mr. Boals replied that the American milling industry is united against restrictions on imports abroad of U.S. flour and it must have been some individual local representatives acting on their own initiative. Another attache said that the new Venezuelan mills are providing an amount equal to previous imports. In addition, two new mills are coming in. He suggested providing facts to show that there is a market for imported flour in Venezuela that cannot be filled locally except at high cost. The Chairman stated that the problem of U.S. industry expanding into foreign countries adds a new dimension to our representation of U.S. industry. This raises a new and difficult problem that we must now face. Mr. Boals commented that U.S. industry is expanding only very selectively. Venezuela, he said, is a special case. We must, in general, push for a minimum of restriction to permit the most economic supply. U.S. firms would just as soon export as produce locally. One of the attaches commented that with the establishment of mills in a Caribbean country, the result was that in 1958, 88 percent of the flour came from the U.S. but 100 percent of the wheat came from the U.S. It was pointed out that we have "escape clauses" by law so we cannot take a "holier than thou" attitude when a foreign country puts on restrictions. Another participant pointed out that when import restrictions are authorized

in the U.S., there must be a quid pro quo for the other countries.

The Chairman stated that a lot of serious thought would have to be given before the U.S. goes to Venezuela and requests removal of restrictions on flour imports if they answer that they are only replacing U.S. flour imports with locally produced flour under license from U.S. firms and using U.S. wheat.

VII - MANAGEMENT POLICIES AND PROBLEMS

The service needed by the attaches, and others in FAS, so that they may effectively carry out their program responsibilities were discussed by Assistant Administrator W. A. Minor.

MANAGEMENT POLICIES AND PROBLEMS reviewed by W. A. Minor, Assistant Administrator, Management.

1. Competitive Civil Service Status. With expected early approval of standards by the Civil Service Commission, individual personnel actions will be prepared by FAS/W and sent to each employee in accordance with the C.S.C. action of November 27, with respect to G.S. 15's and below. Authority has been secured from the Civil Service Commission to grant limited appointments to U.S. Citizen Resident Employees appointed at foreign posts without acquiring Civil Service status and without loss of present benefits.

2. Detail of Personnel. Legislation is being requested to authorize detail of overseas personnel to the department service for extended periods without change in salary or status.

3. Merit Promotion Program. The new FAS Merit Promotion Plan was effective January 1, 1959. The plan now covers Departmental-FAS employees in the competitive service. Before June 30, it will be extended to cover overseas positions, in the competitive service.

It is expected that future recruitment will be principally to Agricultural Economist positions at the Student Trainee or Junior Professional level.

4. Incentive Awards Program. Do not fail to nominate, at the appropriate time, members of your staff who merit cash or other awards.

5. Medical Benefits - Dependents. Medical program for dependents was implemented July 1, 1958. Benefits are identical to those applicable to employees except:

a. The Department will pay costs in excess of $35.00 only for each illness or injury.

b. Treatment is limited to a maximum period of 120 calendar days for each illness or injury unless a waiver is approved by the Department.

c. Normal maternity cases are not included.

Employees and dependents are not covered by Foreign Service medical benefits while on annual, l.w.o.p., or home leave in the U.S., unless the injury or illness was incurred or resulted from overseas assignment.

6. Training. We expect to expand the use of recognized methods of, and facilities for, training in languages, professional development, orientation, induction, reorientation of FAS employees, etc. under the new Government employees training act. Training outside the Government or by another Federal Agency where an exchange of funds is involved must be approved in advance.

7. Employing Locals. You have recently been authorized to fill any vacancies for local personnel now in your staffing pattern, and such vacancies which may occur, without approval from Washington except when filled by promotion of an employee now on the rolls. In this case and others where a promotion, upgrading, or establishment of a new position is involved, FAS approval is required.

HOUSING

1. Legislation. At our request Congress amended P.L. 480 to provide for use of foreign currencies for housing in amounts authorized by the Congress. We hope this authorization and the four houses per year budgeted by F.B.O. for Agricultural Attaches will result in acquiring or building houses where they are most needed.

FURNITURE AND EQUIPMENT

State furnishes office furniture and equipment whenever the Embassy has the needed items in stock. If not available, submit to us a requisition on the State Department form signed by you and the Administrative Officer. All office equipment will be carried on State Department inventory. Vehicles are carried on FAS inventory.

CODIFICATION OF FAS REGULATIONS

FAS Regulations are being codified and will be reissued in the near future.

GENERAL AUTHORIZATIONS

1. Representation. Be sure of appropriateness of expenditure. Not for entertainment of U.S. officials and employees. Excessive continued entertainment of individuals to be avoided. New provision requires deduction of normal cost of host's meal.

104(a) FUNDS

1. Section 104(a) MD Projects. Each time a market development project is approved in Washington, you will receive a letter of notification giving you full instructions. Please be sure to send the original of this and allotment advices to the Embassy Budget and Fiscal Officer.

2. Administrative Approval of Vouchers. The Administrative approval by the Agricultural Attache is akin to a certification that the goods or services have been received in a satisfactory manner. The Embassy Fiscal Office has to rely on the Agricultural Attache to certify that the program is being carried out properly and that the general character of expenditures is in keeping with the intent of the project agreement. The Fiscal Officer is responsible for auditing the voucher including an adding machine check of the figures and he has to satisfy himself that the payment is legally proper under the terms of the contract or project agreement. Travel vouchers require a detailed analysis.

3. General Operating Expenses (GOE). Administrative support can be paid from GOE when so instructed by FAS/W. Also, the salaries of Attache FSL local assistants can be charged to GOE upon instructions from Washington.

Travel. You can finance your own travel or travel of your local assistants from GOE whenever it relates directly to development, administration or supervision of MD activities.

Miscellaneous Administrative Expenses. You can charge miscellaneous expenses to GOE as long as they relate to MD activity.

Promotional Expense. GOE is available for luncheons, dinners or receptions directly related to MD activity. Do not confuse this with representation. If you finance a finction from GOE, it must be intended to develop trade contacts or relationships with the host government and trade deemed to be helpful in carrying out the objectives of the Section 104(a) MD Program. Guests should be carefully selected. Do not entertain any individual too often.

Please document the expenditure voucher carefully. Don't use the term representation; use "MD promotional expense". A market promotion function may give our Administrator an opportunity to meet

with the Minister of Agriculture and other officials in the host country but the affair is really held in their honor. Complete the documentation by listing the names of the principal foreign guests.

4. Advances to Cooperators. You can't make an advance to a cooperator unless (1) the project agreement provides for advance of funds and (2) the traveler has filed a bond.

5. In no case may the attache authorize or incur an obligation against a cooperator project, except upon specific request of the cooperator.

6. Follow the procedures set forth in Operations Memorandum No. 7.

MISCELLANEOUS

1. Unnecessary to meet U.S.D.A. personnel who are used to foreign travel. Advise hotel reservations and allow traveler to use taxis or airport buses where available. Some exceptions are in order, but the attache should not generally feel obligated to meet or entertain normal travelers from the Department.

VIII - COUNTRY REPORTS BY ATTACHES

Each of the attaches reported on market development conditions and possibilities in his area. Following are highlights from the various reports.

ARGENTINA, by Robert A. Nichols, Agricultural Attache, Buenos Aires.

Argentina's position as an exporter of agricultural products has been deteriorating since the early 1940's. Inasmuch as over ninety percent of Argentina's total exports come from agricultural sources, the decline in production places her in a very unfavorable exchange situation.

Further complicating Argentina's exchange position is the decline during the past few years of beef for export. The packers are forecasting for this year a drop in chilled beef exports of 40 percent.

There is little possibility of a rapid recovery in Argentina's agriculture. Some of the main factors are controls, transportation, management, land tenure problems, lagging technology, and problems in machinery and fertilizer procurement.

Due to Argentina's poor competitive situation, import controls, and shortage of dollar exchange, possibilities for sale of U.S. agricultural products in Argentina are extremely limited. However, the stock situation is such

that even one season of low production would place Argentina in a position of having to secure some items from outside sources. In such a case her ability to purchase on a cash or commercial basis would be limited.

BRAZIL, by Charles M. Elkinton, Agricultural Attache, Rio de Janeiro, and Winfield C. King, Agricultural Officer, Sao Paulo.

In 1958, Brazil imported about 1.5 million tons of wheat, 45,000 tons of oats and barley, eight tons of seed potatoes, 12 tons of dairy products and 60 tons of apples and pears.

Argentina provided over half the wheat, most of the other grains, and virtually all of the apples and pears. The seed potatoes and dairy products were imported from Europe. The United States' share of Brazil's 1958 agricultural imports amounted to 485,000 tons of wheat (P.L. 480) and a token shipment of pears.

In 1959, Brazil plans to import about 800,000 tons of P.L. 480 wheat from the U.S. and 1.2 million tons from Argentina.

Except for wheat and a remote possibility of feed grains (especially malt barley), fats and oils, cigar leaf and dried milk under P.L. 480, there is little or no chance of the U.S. exporting agricultural products to Brazil in the next few years. This prospect is due to:

1. Brazil's high degree of self-sufficiency except for wheat and deciduous fruit.

2. Special trade arrangements with Argentina and other South American neighbors. This is a first step toward the formation of a Common Market, including trade preferences.

3. The decline in coffee prices, large imports of petroleum, and a heavy foreign debt service load cause a continuing large balance of payments deficit ($307 million expected in 1959). This has made necessary the reduction and elimination of many imports, especially of consumer goods such as food products.

Brazil's importance to U.S. agricultural exports depends in part on the ability of Brazil's "Common Market" neighbors to meet her food import demands. These trading partners will likely be granted some preference in the Brazilian market as is the case already in trade with Argentina, Uruguay and Chile.

CHILE, by Samuel H. Work, Agricultural Attache, Santiago.

Rapid monetary expansion, deficit financing and continuing state of accelerated inflation have characterized the Chilean economy in recent

years. Very large domestic and foreign borrowings are contemplated by the new Administration to reactivate the economy on a non-inflationary basis. Recent unification of the foreign exchange markets has put foreign trade on a sounder basis and has helped to improve needed exchange reserves and to curb speculation.

Chile's total exports amounted to U.S. $458 million in 1957, with imports at U.S. $441 million. In 1957, U.S. agricultural exports to Chile amounted to $26.8 million. Of this, around $14 million were under P.L. 480. Except for some barter arrangements, the balance was straight dollar sales.

For 1959 but little improvement can be expected unless U.S. farm export commodities are fully competitive price-wise on the world market. Central American and Peruvian cotton have pushed U.S. cotton out of its historic 40 percent share of the market purely on a price basis, margins being 3 cents a pound or more for good middling 1-1/8 and even more for longer staple. The U.S. lost a dollar sale of 15 percent fat dry milk because bids were too high.

Through much work, success was obtained in realizing a trial commercial dollar import of a special quality enriched rice. The product sold readily in the Santiago market.

The chief trade obstacle is the bilateral agreement with Argentina, which owes Chile over U.S. $12 million. It is mainly in agricultural commodities that this can be satisfied.

In the Northern Provinces a milk recombining plant, with a 10,000 liter capacity and using U.S. products, was inaugurated March 22 in Arica. Plans are going ahead for similar plants in Antofagasta and other Northern cities.

The U.S. can expect to have annual sales of about 100 head of breeding animals - dairy cattle, hogs and sheep.

COLOMBIA, by Henry Hopp, Agricultural Attache, Bogota

Colombia's business expansion is continuing rapidly, but its foreign trade capacity has declined sharply because of lower dollar income from coffee. In the past year Colombia brought its foreign expenditures in line with its dollar earnings by reducing imports, and was able to pay off much of its backlog commercial debt while increasing its gold and dollar holdings.

Aided by P.L. 480 sales and stimulated by rising consumer demand, imports of U.S. agricultural commodities have increased after severe declines in 1955 and 1956. The increases are confined mainly to basic commodities such as wheat, flour, vegetable oils, cotton, and tobacco (in the form of cigarettes).

Colombian agriculture, favored by excellent soils and encouraged by strong demand and favorable support prices, is making great strides in several industrialized crops. The country is now self-sufficient in rice, and almost self-sufficient in cotton, and has greatly increased its production of cottonseed and sesame. The cotton and vegetable oil increases have been accompanied by increases in consumption, so that a demand still exists for imported cotton and, when prices are favorable, for U.S. vegetable oils.

The United States will probably continue to be the major source of needed imports. Colombia has strong trade ties with the United States and no nationalistic or emotional reasons for restricting imports. Its own agricultural expansion is limited to outstanding profitable items like cotton, rice, and cattle. However, population is increasing, especially in the cities, encouraging further industrialization and greater demand for farm products.

U.S. market development efforts here must be tempered to economic reality. The job is largely one of discovering how U.S. products can fit into the agricultural and business development of Colombia. Since local currency is available, the market development budget should depend on the prospective sales return per peso spent rather than on the number of dollars being spent in some other part of the world.

COSTA RICA, NICARAGUA, AND PANAMA, by William L. Rodman, Agricultural Attache, San Jose

Agricultural production and marketing patterns in Costa Rica, Nicaragua, and Panama are undergoing changes that limit immediate market development opportunities for the United States.

For years the region obtained favorable trade balances of exports of bananas and coffee; all the bananas and at least half the coffee went to the United States.

The advent of Panama disease 10 years ago brought the first major change in this pattern, when coffee supplanted bananas as the No. 1 export crop. Bananas have continued to be the No. 2 crop, but increasing emphasis has been placed on the production of cacao, cotton, dairy products, African palm oil, and livestock. This trend to diversify agriculture is being accelerated by the decline in world coffee and cotton prices. The region is trying to develop additional foreign exchange earners, as well as to cut import spending by stimulating food production to the point of self-sufficiency. The problem is complicated, however, by an average annual population increase of over 3 percent.

Nonetheless, in each country there are certain limited marketing opportunities.

Costa Rica -- Despite a sharp drop in the average 1958 coffee price, Costa Rica had a payment deficit of only $4 million -- $15 million less than in 1957. This gain resulted mostly from an increased volume of exports.

Costa Rica is now exporting frozen beef and cotton, has a tobacco surplus, and may have corn to export this year. The potential of its dairy industry is reported to be already high enough to fill domestic needs for dairy products. The country will propably continue to protect domestic production through tariffs.

The immediate conclusion is that Costa Rica is at present a declining market for most overseas agricultural products. There are, however, exceptions. The country cannot grow wheat economically, and imports of wheat and flour are expected to increase at a rate at least equal to population growth, if per capita income remains constant. The Ministry of Agriculture is interested in expanding livestock production; thus there is a limited market for imports of purebred cattle and swine. Baby chick imports are climbing as the new broiler business thrives.

Nicaragua -- Programs have been initiated to develop such new foreign exchange sources as cacao and beef, to offset the effect of the decline in world prices for coffee and cotton, which currently account for over 85 percent of Nicaragua's earnings. Other programs aim to reduce import expenditures by increasing production of essential foodstuffs, and to attract new industry and increase exports by allowing duty-free imports of construction materials and goods considered necessary for plant operations.

Staple food crops are corn, beans, rice, and sugar, all of which have usually been grown in sufficient quantities for domestic use. A sizable diversion of land to cotton, however, has put Nicaragua in the position of having to import these commodities. The Bank of America and the Export-Import Bank have just granted credits totaling $600,000 to purchase rice, beans, and white corn.

Nicaragua's imports of wheat flour -- it has no flour mills in operation -- total over 30 million pounds a year, two-thirds of it from the United States. This market will probably expand along with the population. There is no modern poultry industry; a market for baby chicks and poultry feeds might be developed. The National Development Institute proposes to import $1 million worth of purebred beef and dairy cattle during the next 5 years; a project has been approved under section 104(a) to help develop this market.

Panama - Government programs since 1950 have been designed to help develop self-sufficiency in foodstuffs. The 1958-59 production of coffee, corn, sugar, and rice is expected to exceed domestic needs; in fact, some of the previous crop of coffee and corn has been sold abroad at a loss to provide storage space and the funds needed for price support.

Panama's new import tariff schedule, which became effective January 15, 1958, is designed to protect and develop national production. All products are subject to at least a 10 percent ad valorem rate unless the importer is specifically exempt from import taxes.

The value of imported foodstuffs totaled nearly $15 million in 1957, with wheat flour at $2 million the largest item. Lard imports, however, are restricted by the recent tariff increase to 30 cents per kilo, and as long as Panama continues to protect all its home industries, often at the expense of the consumer, little hope exists for expanding the market there for U.S. farm products.

Opportunities do exist for sales of wheat, wheat flour, livestock for breeding, and baby chicks. These opportunities are small by comparison to those in other countries; but they should not be neglected, for Panama's population is growing at a rapid rate.

CUBA, by Chester E. Davis, Agricultural Attache, Habana

In 1955-57, Cuba experienced a decided growth in its overall economy, and in the same period its imports of agricultural products from the United States increased from about $108 million to about $147 million. Final data for calendar 1958 will probably show a still further increase.

It is still too early, however, to predict the full effect that the change of government on January 1, 1959, will have on imports. Thus far, significant events have included an agrarian reform program, the seizing and freezing of all assets belonging to collaborators of the previous government, the imposition of exchange controls and import controls, the reduction of rents from 30 to 50 percent, salary increases, and general attacks against big business in favor of tenant farmers, squatters, unemployed farm workers, and industrial laborers. The results have been an almost complete absence of funds for industrial or agricultural expansion and of foreign risk or venture capital, and the paralysis of all but essential "carry-on" work in industry and agriculture.

A full-fledged campaign is on to save badly-needed dollar exchange; its slogan is "Consume Cuban Products." This campaign may have some effect on the demand for U.S. farm products. Already, it is rather difficult to find on the central markets the American apples, pears, grapes, and other products that were formerly plentiful. Competition between Cuban and imported products is likely to be decided eventually on the basis of quality and

price. If the Cuban economy recaptures the dynamic strength it had in 1957 and 1958, the average Cuban will probably continue to prefer many U. S. brands of agricultural products. At the present time, the need is for market maintenance rather than market development.

Cuba is a dollar market, however, and unless its sugar crop is far less substantial than expected, it will have the dollars to purchase through normal trade channels the agricultural commodities it needs.

DOMINICAN REPUBLIC AND CARIBBEAN AREA, by Richard A. O. Schwartz, Agricultural Attache, Ciudad Trujillo

The attache post in the Dominican Republic also covers Haiti, the Netherlands Antilles and Surinam, the West Indies Federation, British Guiana, the French West Indies, and French Guiana.

Given the growing population of the Caribbean area, its generally rising standards of living, its growing tourism, and a generally tendency for the former colonial areas to become more independent, the United States will have increasing opportunities for agricultural exports to the area. Prices must, however, remain or become competitive, or else the growing market will look to other sources. In places off the beaten path, transportation will also be a factor in determining who will buy what from whom. The United States will have to show interest in getting to know the area better. An occasional trade mission helps, but even more helpful in creating good will would be occasional visits by the sellers to their customers.

Dominican Republic - The main economic policy is one of diversification and self-sufficiency. For example, its main agricultural import from the United States has been wheat flour; but a new flour mill is being planned. When this mill begins operations, flour imports can be expected to decrease markedly. Another example is cotton. Large acreages are now under cultivation to make the country self-sufficient and also an exporter.

Haiti - Haiti's economic situation is not good; its standard of living is very low. A small coffee crop this year has added to the economic problems, for coffee is the main export crop. With an improved economic situation, Haiti with its large population could become a sizable market for U.S. agricultural commodities; but this will be a long-term proposition.

The nearness of the United States makes it a natural supplier for Haiti; and trade has operated more freely there than in the Dominican Republic. Last year, however, brought signs that this freedom may diminish. One sign was the 250-percent duty increase on imported flour that followed the completion of a new flour mill. Wheat flour was a leading U.S. export to Haiti.

West Indies Federation - The new West Indies Federation presents a somewhat brighter picture for U.S. exports. There will no doubt be a tendency toward self-sufficiency and nationalism, but probably tempered by the form of the new government. Though the Federation remains part of the British Commonwealth, it may look for closer ties with the United States. U.S. trade success in this area will depend on meeting the competition in price and quality and on keeping in close touch. Jamaica, with its growing population and economy, and Trinidad, the capital, are important points to watch; and all the islands will be affected by the import policies the government adopts.

British Guiana - Though British Guiana is not a member of the West Indies Federation, it depends on these islands as a market for its big rice crop. British Guiana exports sugar, but the high cost of production makes it difficult to do much business outside the Commonwealth Sugar Agreement.

Netherlands Antilles - Curacao and Aruba, chief points of interest in the Netherlands Antilles, import nearly all their food, and their comparatively high standard of living makes them much more important markets than their size would indicate. Here, as in most of the area, price is a big factor.

Surinam - Also a limited market is Surinam, which can and will buy from the United States if prices are competitive. The country is somewhat underpopulated, but its standard of living is fairly high.

French West Indies and French Guiana - There are indications that both the French West Indies and French Guiana would like to import more U.S. foodstuffs, but their close ties with France preclude this. Export prospects are not good. French Guiana, in addition, is quite underpopulated, so the chances of selling much in the way of agricultural products are practically nil.

ECUADOR, by John Montel, Agricultural Attache, Quito

Ecuador's principal agricultural exports in 1958 were bananas, coffee, and cacao, with a total value of over $82 million. Principal agricultural imports in 1957 were wheat, cigarettes, cottonseed oil, palm oil, and tallow, with the United States a major supplier of each.

Three P.L. 480 agreements have been signed with Ecuador for wheat, cotton, tobacco, and edible fats and oils. The last agreement has not been completely fulfilled in that Ecuador has a shortfall of about half the wheat specified. The prospects are that Ecuador will not take the shortfall, and the chances are only fair that the equivalent dollar value will be assigned to another commodity.

The short-term outlook for Ecuador's dollar exports shows increasing competition from African banana producers, decreasing spot prices for

coffee exports, and an uncertain market for cacao. The best opportunities for U.S. dollar sales are wheat, cigarettes, and tobacco. The milling industry in Ecuador is aggressive and extremely quality-conscious, and an FAS market development project is planned to capitalize on this. However, there have been some complaints about the quality of U.S. wheat entering under P.L. 480 and about its higher price compared to IWA (International Wheat Agreement) wheat; consequently, there may be increased buying of Canadian wheat.

As for tobacco, although Ecuador is planning to increase production, there is some question of the suitability of Ecuadoran tobacco for American-type cigarettes. For this reason U.S. tobacco imports will probably remain stable and may even increase in the next 2 or 3 years.

The outlook is also good for continued cotton imports - since Ecuadoran cotton does not meet the mills' demands for high tensile strength and long fiber length - and for slightly larger takings of fats and oils. Local sources may be developed, just as they will for cotton, but in both cases expansion will take time. A possible market also exists for fresh fruits.

Ecuador is conscious of its status as an underdeveloped nation but it is proud of its sound monetary policies and therefore sensitive to increases in dollar expenditures for imports. Consequently, the United States should identify itself to the smallest degree with market development projects. Cooperators should work unobtrusively with industry, first getting their unanimous support. And finally, Ecuador's deep desire for technological advancement should be used as a vehicle for launching market development projects.

GUATEMALA, EL SALVADOR, AND HONDURAS, by Douglas M. Crawford, Agricultural Attache, Guatemala City

Agricultural output in these countries has about kept pace with population growth, but in recent years there have been more deficits than surpluses. Agriculture is primarily thought of in terms of export crops. Coffee and bananas have dominated the scene, with cotton and sugar becoming increasingly important. But world surpluses, price declines, and shrinking markets have beset the coffee and cotton producers, so indications are that cotton output will drop this year at least 20 percent. Because of the perennial nature of coffee, production will continue to be large.

The cotton and coffee situation has seriously and adversely affected the general economic situation, so that foreign exchange reserves in both Guatemala and Honduras have fallen -- El Salvador is in a much stronger position. Also, as the economic situation has deteriorated, more and more producer groups have asked the government for protection against imports.

Complaints have been heard about imports of poultry and eggs, lard, flour, and Japanese cotton textiles.

Some producers have already met with success in having tariffs raised. A new tariff that went into effect in Guatemala last January raised duties on food imports -- flour, lard, and eggs, for example, all of them major import items into the country from the United States.

Central American economic integration may be at last coming to be realized. The countries in this area have embarked on the long-planned "common market", which if carried out will establish a free trading system among the Republics. The plan will probably have little meaning during the first few years, but ultimately it could result in a smaller volume of agricultural exports from the United States.

Traditionally, the United States has been the best customer for the tropical agricultural products of Central America, taking from 75 to 80 percent of such commodities as coffee and bananas. Likewise, the United States has been the leading supplier, furnishing from 65 to 75 percent of the agricultural imports. Because of the general economic situation as well as the higher duties, it appears logical that U.S. farm exports will be somewhat less this year. There are exceptions. Wheat imports can be expected to increase; and if lard prices remain competitive, the United States should have the largest share of the local market.

The long-run outlook is more favorable. Per capita consumption of flour should continue upward, while local wheat production remains static. More corn will be needed for animal feeding. If cotton production decreases, as is likely, there may be opportunities for vegetable oils, such as soybean; and rice exports may be slightly larger. So while no great gains can be expected, the United States should be able to sell around $20 to $25 million worth of farm products yearly to these countries.

MEXICO, by Burl Stugard, Agricultural Attache, Mexico City

Mexico's agricultural production rose by 9.7 percent during 1958, compared with a decline of 1 percent in 1957 and the traditional trade deficit also improved slightly. Nevertheless, there was a decline in the net dollar reserve of $85.1 million, primarily because of fear of another peso devaluation. To allay this fear, the Mexican Government last March arranged a credit of $90 million with the International Monetary Fund to stabilize the peso and one of $100 million with the Export-Import Bank to finance importation of capital goods.

Some importers of foods have had no trouble obtaining import permits, but importers of foods considered as non-essential have had difficulties.

The new director of CEIMSA, the government agency in charge of regulating the supply of basic foods, has stated that the public must be assured adequate supplies and that imports will be made whenever necessary. Among the basic food imports handled by this agency are corn, beans, eggs, powdered milk, and vegetable oils. Corn imports in 1959 will be at a low level, imports of beans and powdered milk larger. The outlook for fats and oils is still uncertain. Larger imports of dairy cattle and sheep for breeding are expected.

The new Minister of Agriculture is stressing increased output of its tropical products, such as cacao, rubber, drugs, spices, bananas, and other fruits, for which there is demand in the United States. At the same time, he has emphasized that he wishes to preserve the country's present position with regard to its two leading agricultural exports, cotton and coffee. There has been some criticism in the press of the United States' current cotton export program. An effort to counter this by talking with government officials to try to create a better understanding of the U.S. position is being made.

PERU, by Clarence E. Pike, Agricultural Attache, Lima

Peru's general policy for the past several years has favored a free economy, with limited restrictions on foreign trade. Price controls have been maintained on most basic foods but these are now being removed. Peru's economic situation, however, has deterioriated over the past 18 months as a result of declining prices for all important export items -- long staple cotton, sugar, wool, lead, zinc, and copper. To get its foreign trade in balance, Peru last year raised ad-valorem import duties on non-essentials by 200 percent and on essentials by 50 percent. This placed a brake on demand for many imported items, so by early 1959 imports and exports were approaching a balance.

Peru is principally an exporter of raw materials and an importer of manufactured goods, but it depends on imports to supplement domestic supplies of wheat, milk, milk products, and occasionally rice and vegetable oils. A large volume of fresh, packaged, and frozen foods is imported, as is some breeding stock for herd replacement. Wheat is the most important item from the United States, followed by frozen poultry, milk products, and canned and processed foods of all types. In some years, sizable imports of U.S. lard, vegetable oils, and rice have occurred.

With regard to dollar sales, the United States faces stiff competition. Argentine wheat is consistently priced below wheat delivered from the United States; deciduous fruits from Chile are almost always cheaper; and New Zealand undersells the United States on dairy products.

Several market development projects have been undertaken, for breeding stock, wheat and wheat flour, rice, dried beans, soybeans and soybean oil, and fresh fruits. Three demonstration dairy herds have been established. U.S. livestock judges have visited Peru and Peruvians, the United States. Equipment has also been provided for an official wheat and flour testing laboratory, and a regional wheat market development office has just been opened in Lima.

The outlook for U.S.-Peruvian trade depends largely on the trend in world demand and prices for the things Peru has to sell. Since these are currently depressed, the short-term outlook is somewhat pessimistic. Over the long term, there should be a demand for U.S. wheat, vegetable oils, dried fruits, frozen poultry, baby chicks, livestock for breeding, feed grains, canned and packaged foods of all types.

URUGUAY, by Henry Buckardt, Agricultural Attache, Montevideo

The economy of Uruguay is basically pastoral and agricultural, although some advance has been made in its manufacturing industries. Livestock raising is the main industry and wool and meat are the chief farm exports. In general, crop production meets the minimum needs of domestic consumption and furnishes a small surplus for export.

In 1958, Uruguay's farm exports on a world-wide basis totaled $134 million, whereas farm imports totaled $11 million. The United States took $8 million of the agricultural exports and sold Uruguay $1 million in return. Commodities exported to the United States included wool tops, wheat, hides and bristles, and sugar beet pulp. Items imported from the United States included tobacco and tobacco products, cotton and cotton products, grass seed, rosin, and other raw materials.

At the present time, the best prospects for market development are cotton, tobacco, feed grains, and dried whole milk.

In 1958, the United States sold Uruguay less than 1 percent of the cotton purchased, but this will improve this year because of a P.L. 480 agreement.

The P.L. 480 agreement will also provide adequate leaf tobacco for the industry this year. Since the local tobacco industry could stand some quality improvement to increase consumption and reduce competition, much would be accomplished by sending tobacco representatives to the United States to study American methods.

There is a growing demand for corn and barley for livestock feed and a P.L. 480 agreement is being negotiated. In recent years, wheat production has declined, thereby reducing the quantities of low-grade wheat for feeding purposes. There is little likelihood that the imbalance between production and consumption of feed grains, which has existed for

many years, will change in the next few years.

While there is an annual export of butter and cheese, powdered milk is regularly an import item. This commodity area needs further study to arrive at definite recommendations for increasing U.S. markets.

The long-range outlook for expanded imports from the U.S. depends on Uruguay's ability to maintain a sound economy.

VENEZUELA, by W. Raymond Ogg, Agricultural Attache, Caracas

This country has a sound fiscal situation and a sound currency, freely convertible to dollars. In 1957, Venezuela was our largest export market in Latin America, surpassed only in our world export trade by Canada, the United Kingdom, and Japan. Total U.S. exports to Venezuela are valued at more than $1 billion and agricultural exports alone totaled $106,452,000 that year, third largest in Latin America. Venezuala imported nearly $18 worth per capita of our agricultural products in 1957.

Venezuela is our leading world market for dried whole milk, cigarettes, eggs, infant and dietetic foods, and shelled walnuts; our second largest for shelled pecans, cattle for breeding, canned meat products, barley malt, canned soup; and one of our leading markets for fresh fruits, especially apples and pears.

The Venezuelan-U.S. trade agreement signed in 1948 and revised in 1952 includes many important concessions for U.S. agriculture. This treaty may be revised and,affected by the rising tide of protectionism among domestic industries, have less concessions in the future.

Extensive market development work has gone on in Venezuela. Most important has been that for livestock. In 1958, the country launched a 5-year livestock development program costing $200 million. In the market development work, U.S. breed associations have been active. An FAS livestock specialist twice visited the country on promotion work; and other exchange visits are contemplated.

U.S. eggs face severe competition from Canada and Denmark and to some extent from Poland. Part of this has to do with price, part with quality. In 1958, Venezuela issued a decree establishing grade standards and demanding that eggs be stamped "Importado" plus the grade. Some U.S. exporters did not bother to comply and ran into difficulties and, as a result, U.S. eggs are acquiring a bad reputation. To correct the situation, the U.S. director of egg graders visited Venezuela, consulted with officials, graders, importers, etc., and gave technical advice to newly-trained Venezuelan graders. It was also arranged that the Venezuelan Government send, at its own expense, an egg inspector to the United States for 2 years training in food standards

and egg grading.

For several years, Denmark, Holland, and Canada have been increasing their dried whole milk exports to Venezuela while U.S. exports remained about constant. Then in 1958, the U.S. share dropped to an estimated 40 percent because of lower prices from competitors. An FAS dairy specialist came down and worked with government officials and dairy leaders, with the result that a proposed revision of the trade agreement concession was avoided.

Other U.S. products which have required, or will need, promotional work are: apples and pears; cigarettes, animal feeds, wheat and flour, forage seed crops, and rice. Formerly Venezuela imported 60 percent of its flour from the United States, but within the past year the country opened up 3 new flour mills, so imports are shifting to wheat. In 1958 a U.S. wheat team visited Venezuala and acquainted millers with U.S. wheat.

A P P E N D I X

CONFERENCE AGENDA

LIST OF PARTICIPANTS

GREETINGS by The Secretario General,
Camara de Representantes,
Bogota, Colombia

REMARKS OF APPRECIATION by
The Honorable Karl E. Mundt,
United States Senator

UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service

AGENDA

MARKET DEVELOPMENT CONFERENCE
of
AGRICULTURAL ATTACHES

BOGOTA, COLOMBIA
April 1-7, 1959

Chairman: Raymond A. Ioanes, Deputy Administrator

Wednesday, April 1

Forenoon

9:00 - 9:30 Welcome by Ambassador John M. Cabot

9:30 - 10:00 Foreign Agricultural Service Responsibilities and Conference Objectives - Chairman

10:00 - 10:30 U.S. Economic and Trade Policy in Latin America as related to Movement of Agricultural Products - Howard M. Gabbert, Assistant Director, Commodities Division, Department of State

10:30 - 11:00 Discussion

11:00 - 11:15 Recess

11:15 - 11:45 The Role of Public and Private Investment in the Economic Development of Latin America - George A. Blowers, Director, Export-Import Bank of Washington

11:45 - 12:15 Discussion

Afternoon

2:15 - 2:45 The Responsibilities of the Agricultural Attache in Market Development, Reporting and Representation - G. E. Tichenor, Deputy Assistant Administrator, Agricultural Attaches

2:45 - 3:15 Discussion

3:15 - 3:45 Economic Conditions in Latin America as related to Agriculture and Market Development - Gustave Burmeister, Assistant Administrator, Agricultural Trade Policy & Analysis

3:45 - 4:15 Discussion

4:15 - 4:30 Recess

4:30 - 5:30 General Discussion of day's topics

Thursday, April 2

Forenoon

9:00 - 9:30 The Market Development Job - George A. Parks, Deputy Assistant Administrator, Market Development & Programs

9:30 - 10:00 Discussion

10:00 - 12:00 Attache Reports - Brief Summaries of Marketing Situation in Individual Countries; with emphasis on activities, problems, opportunities, and achievements

Costa Rica .... William L. Rodman

Guatemala .... Douglas M. Crawford

Mexico .... Burl Stugard

Cuba .... Chester E. Davis

12:00 - 12:30 Discussion

Afternoon

2:15 - 3:45 Attache Reports continued:

Brazil .... Charles M. Elkinton

(Sao Paulo) .... Winfield C. King

Uruguay .... Henry L. Buckardt

Dominican Republic .... Richard A. O. Schwartz

3:45 - 4:15 Discussion

4:15 - 5:30 Attache Reports continued:

Colombia .... Henry Hopp

Venezuela .... W. Raymond Ogg

Ecuador .... John E. Montel

Discussion

Friday, April 3

Forenoon

9:00 - 10:00 Attache Reports continued:

Chile .... Samuel H. Work

Peru .... Clarence E. Pike

Argentina .... Robert A. Nichols

10:00 - 10:30 Discussion

10:30 - 11:00 Dollar Sales, Credit Sales, and Barter - Forest W. Beall, Deputy Administrator, Price Support, Commodity Stabilization Service

11:00 - 11:15 Discussion

11:15 - 11:30 Recess

11:30 - 11:45 Discussion of Section 416 Donations - Martin D. Garber, Director, Food Distribution Division, Agricultural Marketing Service

11:45 - 12:15 Discussion of Overseas Research with Foreign Currencies - Henry W. Marston, Assistant Director, Foreign Contracts and Grants Program, Agricultural Research Service

12:15 - 1:00 General Discussion

Afternoon

2:15 - 3:45 Round Table Discussion of Commercial Marketing Possibilities for Specific Commodities, including Market Development Techniques - Designated Attaches will assist in leading the discussion on selected topics:

1. Milk recombining promotion
2. Demonstration techniques to improve acceptance of U.S. products
3. Overcoming discriminatory trade barriers (e.g. discriminatory regulations re packaging, transprotation, grading and quality etc.)
4. Commodity team and technician visits to and from the United States, including livestock buying missions
5. Livestock shows, demonstration herds and use of U.S. livestock judges
6. Trade Fairs and product sampling
7. Direct Advertising
8. Convenience foods
9. Are we supplying commodities in forms and qualities desired by importing countries?
10. Three-year sales agreements under Public Law 480

3:45 - 4:00 Recess

4:00 - 5:30 Round Table Discussion continued

Saturday, April 4

Forenoon

9:00 - 10:00	Round Table Discussion of Commercial Marketing and Market Development Techniques continued
10:00 - 10:45	Discussion of Cooley Amendment to P.L. 480 - Eugene E. Oakes, Economist, Export-Import Bank
10:45 - 11:00	Recess
11:00 - 12:00	Remarks by Members of Congress
12:00 - 12:30	Comments on U.S. Agricultural Situation - Clarence L. Miller, Assistant Secretary, Marketing and Foreign Agriculture

Monday, April 6

Forenoon

9:00 - 9:30	Public Relations for American Agriculture - Robert D. Smith, Public Affairs Officer, American Embassy, Bogota
9:30 - 10:30	Remarks by Representatives of Trade and Farm Organizations
10:30 - 10:45	Recess
10:45 - 12:30	Market Development Procedures and Problems - James O. Howard, Director, Foreign Trade Promotion Division

Afternoon

2:15 - 3:45	Management Policies and Problems - W. A. Minor, Assistant Administrator, Management
3:45 - 4:00	Recess
4:00 - 5:00	Discussion of Administrative Problems:

1. Handling 104(a) project funds
2. Fiscal policies
3. Administrative support
4. Travel and representation
5. Personnel policies
6. Furniture and equipment

5:00 - 5:30 Conference Summary and Closing Remarks - Chairman

Tuesday, April 7

9:00 - 5:30 Conferences of individual Agricultural Attaches with FAS/Washington officials

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Conference Participants

CONGRESSIONAL PARTICIPANTS:

Senator Karl E. Mundt, South Dakota

Senator Roman L. Hruska, Nebraska

Senator Gale W. McGee, Wyoming

Representative Carl Albert, Oklahoma

Representative Wint Smith, Kansas

Joseph E. Gonzales, Staff Member, Senate Appropriations Committee

U.S. DEPARTMENT OF AGRICULTURE:

Clarence L. Miller	Assistant Secretary of Agriculture for Marketing and Foreign Agriculture
Raymond A. Ioanes	Deputy Administrator, Foreign Agricultural Service
Gustave Burmeister	Assistant Administrator for Agricultural Trade Policy and Analysis
W. A. Minor	Assistant Administrator for Management
G. E. Tichenor	Deputy Assistant Administrator for Agricultural Attaches
George A. Parks	Deputy Assistant Administrator for Market Development
James O. Howard	Director, Foreign Trade Promotion Division
Saul M. Katz	Program Coordinator for Latin America Area, Program Development Division
Louis M. Smith	Latin America Area Officer, Agricultural Attache Service
Henry Marston	Assistant Director, Foreign Contracts and Grants Program, Agricultural Research Service

Forest W. Beall	Deputy Administrator, Price Support, Commodity Stabilization Service
Martin D. Garber	Director, Food Distribution Division, Agricultural Marketing Service

AGRICULTURAL ATTACHES:

Henry L. Buckardt	Montevideo, Uruguay
Douglas M. Crawford	Guatemala City, Guatemala
Chester E. Davis	Havana, Cuba
Charles M. Elkinton	Rio de Janeiro, Brazil
Henry Hopp	Bogota, Colombia
Winfield C. King	Sao Paulo, Brazil
John E. Montel	Quito, Ecuador
Robert A. Nichols	Buenos Aires, Argentina
W. Raymond Ogg	Caracas, Venezuela
Clarence E. Pike	Lima, Peru
William L. Rodman	San Jose, Costa Rica
Richard A.O. Schwartz-	Cuidad Trujillo, Dominican Republic
Burl Stugard	Mexico City, Mexico
Samuel H. Work	Santiago, Chile

OTHER GOVERNMENTAL AGENCIES:

Howard M. Gabbert	Assistant Director, Commodities Division, Department of State
George A. Blowers	Director, Export-Import Bank of Washington
Eugene E. Oakes	Economist, Export-Import Bank

Shippley N. McIntosh	Director, Agricultural and Natural Resources Division, Bogota, ICA
Robert D. Smith	Public Affairs Officer, Bogota, United States Information Agency

TRADE ORGANIZATIONS:

Gordon Boals	Director, Export Programs, Millers' National Federation
Antonio Diaz	Colombian Program Director, Dairy Society International
John H. Haugh	National Renderers Association
Andre Hirshchler	Director, North American Export Grain Association, Inc.
Marx Koehnke	Managing Director, Marketing Dividion, Nebraska Wheat Growers Association
Jack L. Smith	South American Director, Great Plains Wheat Market Development Association
Clifford R. Hope	President, Great Plains Wheat Market Development Association
Albert S. Nemir	Nemir Associates, Inc.

GREETINGS by The Secretario General,
Camara de Representantes,
Bogota, Colombia

Senators and Representatives,

Senors:

I am pleased to transmit to you the following bill which was approved in yesterday's session of the House of Representatives--Bill No. 118. The House of Representatives of Colombia greets the Senators and Representatives in the Congress of the United States who are at present visiting the City of Bogota on the occasion of the Latin American Conference on agricultural marketing, and at the same time expresses its wishes for the success of the same to the benefit of American solidarity.

REMARKS OF APPRECIATION by
The Honorable Karl E. Mundt,
United States Senator

Bogota, Colombia
April 4, 1959

To the Members of the Chamber of Representatives of Colombia:

As the senior member of the Congressional group attending the U. S. Department of Agriculture Conference on Agricultural Marketing problems in Latin America, I wish to express our deep appreciation of the thoughtfulness of the Chamber of Representatives of Colombia in adopting Resolution No. 118. The resolution's wish for inter-American solidarity based on mutual interest and benefit is warmly reciprocated by my colleagues in the Congress of the United States.

All the delegates to the conference have been most impressed by the friendship and courtesy of the Colombian people and their leaders. The officials and citizens of Bogota have been most gracious during our stay so that we are doubly honored by the action of the Legislature.

Cordially yours,

Karl E. Mundt
United States Senator